Performance-Based Service Contracting

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1. **DEFINITION:** (a) Method of contracting where the Government defines the *results* it is seeking, rather than the *process* by which those results are attained. Also included are the standards against which contractor performance will be measured, and positive and/or negative incentives. (Reference FAR 37.101)

   (b) Benefits:
   - → Better prices and performance;
   - → The Government is released from having to develop detailed specifications and define the process;
   - → The contractor has more flexibility on how he achieves the desired results;
   - → Less day-to-day surveillance is required; and
   - → Contractors are motivated to be innovative and to save money (we must evaluate cost vs. benefit!).

   (c) What's So New About This? NOTHING, in the commercial world. They long ago realized they do not have the expertise to tell their suppliers how to do the work. From the Government perspective, not only is the statement of work *results vs. process*-oriented, it has a new title: Performance Work Statement (PWS). (The hidden benefit here is that the Government does not always have the expertise to prepare a statement of work with fully-developed requirements.) The burden is on the contractor to accomplish the results we require. He measures his own performance by developing and implementing a Quality Control (QC) plan, plus the Government measures his performance against established standards.

   (d) Key Elements of Performance-Based Service Contracts (PBSCs):

   - → PWS (what, where, when, how many)
   - → Quality Assurance Plan (QAP) (tip: we should only measure and incentivize those things over which the contractor has control)
   - → Metrics and incentives, such as bonuses (monetary or otherwise), share-in-savings, positive performance evaluations, automatic option exercises, extended contract terms.

2. WHY DO WE NEED TO DO THIS?!?!?

(a) Office of Federal Procurement Policy (OFPP) Letter 91-2 (4/1991) established the policy to use a performance-based contracting approach. Use of any other approach has to be justified. Pilot contracts yielded cost savings and increased customer satisfaction.

(b) Improves business results!

(c) Government Performance and Results Act (GPRA) of 1993 mandates accountability.

(d) OFPP Policy Letter 91-2 was incorporated into the Federal Acquisition Regulation (FAR) in August 1997.

3. BARRIERS TO PERFORMANCE-BASED CONTRACTING:

(a) Fear of change;

(b) Fear of loss of control, because the COTR is not overseeing all the details; and

(c) Fear that it takes more time than traditional contracting. It does take more up-front time/planning.

4. OUTSOURCING:

(a) Definition: A strategy for acquiring goods and services that are not considered to be core business functions. Outsourcing is a standard commercial practice; it allows for better strategic focus, saves money, provides expertise of those whose core business functions ARE that service or product being acquired, stimulates competition and encourages innovation. Further, for manufacturers, it reduces the cost of assets on contractor balance sheets, since the primes will not to have to make large capital investments in production equipment. Since the Government is outsourcing so many of its non-core business functions, PBSC's are gathering momentum.

(b) Outsourcing Initiatives: OMB Circular A-76 and Federal Activity Inventory Reform (FAIR) Act. A-76 initiatives have shown that outsourcing saves money, even when the Government wins the competition.

5. ROLE OF THE PROGRAM OFFICE:

(a) Identify requirements that may be suited for PBSC and meet with the ***TEAM*** to discuss (i.e., program office, contracting officer, and any other stakeholder);

(b) Develop the PWS, the standards, and acceptable quality levels. An important element here is to take a baseline measurement of the current service level;

(c) Get trained in PBSC's as a team, to ensure everyone understands the concepts and goals; and

(d) Perform market research. Identify sources that could provide what is needed and learn as much as possible about the industry's commercial practices.

6. ROLE OF THE CONTRACTING OFFICER (CO):

(a) Meet ***early and often*** with the program office. COMMUNICATE!

(b) Advocate for and educate on the benefits of performance-based contracting;

(c) Determine the acquisition method and the schedule, including contract type; and

(d) If time permits, obtain industry comments on the PWS, QAP, and incentives.

7. ACQUISITION PLANNING CONSIDERATIONS:

(a) **Contract Type**: Fixed-price contracts are preferred; the risks to the Government and to the contractor are manageable because the PWS can be objectively prepared. Cost-reimbursement contracts can be used when the desired outcome is less clear, making the performance risk greater. Remember to use commercial item/service contracts to the greatest extent possible.

(b) **Incentives**:

(1) Monetary

- Fixed-price contracts, by their nature, include positive monetary incentives. If it costs the contractor less to perform, his profit margin goes up. A negative incentive can also be included in case the desired results are not achieved (deduction should be equal to the value of the service lost).
- Cost-plus-incentive-fee (CPIF) or fixed-price-incentive-fee (FPIF) contracts can be used when there is some latitude in achieving the desired results. The ability to succeed or fail is controlled by the Contractor; the Government's ability to influence contractor performance is limited to specific areas.
- CPIF with multiple incentives contracts include setting a target cost, along with minimum and maximum values for cost, fee, technical performance, and schedule. Funds available for fees are divided into pools so that there is no overlap.
- Cost-plus-award-fee (CPAF) and fixed-price-award-fee (FPAF) contracts are used when the end result cannot be well-defined, or may change as the contract progresses. Incremental adjustments to the criteria in work authorizations can be made.
- Share-in-savings.

Remember: If a financial incentive is promised, MAKE SURE THE MONEY IS COMMITTED TO PAY IT!

(2) Non-Monetary

- Revised schedule
- Reduced oversight
- Positive performance evaluation
- Automatic extension of contract term or option exercise (FAR Part 17 still applies)
- More frequent payments
- Lengthened contract term (award term contracting)

(c) Market Research. Information to be obtained includes a thorough understanding of marketplace practices, a list of the best available sources to perform the services or provide goods, best method to conduct the acquisition (e.g., analysis of alternatives), and best practices involved in that particular commodity or service.

How to conduct market research:

- Gather a team together and decide on a team leader;
- Establish basic needs (i.e., output/results) statement;
- Identify sources to contact (brainstorm);
- Develop interview questions and conduct interviews; and
- Prepare report of findings and present to C.O. Report should include how research was conducted, what was learned, comparative pricing, commercial terms and conditions, whether commercial items will meet the needs, and identify any existing contractual vehicles that might suffice.

The level of effort put into market research, including the size of the team, should be commensurate with the size of the procurement.

(d) Analyze the Requirement

(1) What to Look For:

- Desired results/deliverables (what outcome is required?);
- Resources needed (are they available?);
- Workload frequency/quantity to desired work;
- Standards of acceptability;
- Objective performance measures (don't forget to take baseline measures so progress can be assessed!); and
- How much will it cost? (independent Government cost estimate)

(2) Analyze the Job → Determine needs (what outputs/services are needed?); this forms the basis for the PWS, performance standards and the QAP.

- Work analysis: Establish scope or mission statement for the effort; list specific tasks to be performed; group similar/related tasks and organize them into a logical sequence (chronological, by discipline, etc.); identify any data requirements (deliverables).
- Performance Analysis: Assign a performance requirement to each task (see Templates). This states the required results for each task and defines the performance standards. The latter defines the desired performance level and if needed, an acceptable error rate/deviation from standard. Steps:

Translate the task into a performance requirement (e.g., "Provide a help desk for desktop/network support" becomes "Establish and man a help desk with properly qualified personnel to answer customer questions and resolve problems.")

Develop Performance Standards. Use commercial standards where practicable; ensure the standard is needed and not unduly burdensome (Let the offerors propose them.). *Components of standards* are indicators (essential characteristics of acceptable performance), delivery time, error rates (accuracy), operational costs, responsiveness, adherence to specifications, etc. Must be measurable, easy to apply, and attainable.

Define Acceptable Quality Levels. Must be realistic, stating the minimum standard, percentage of errors allowed, cost trade-offs, etc.

(e) Methods of Surveillance:

(1) 100% inspection (this is recommended only where health and safety are at issue; otherwise, it is not cost-effective and is too stringent);
(2) Random Sampling (good for recurring tasks or production requirements);
(3) Periodic Inspection (use a pre-determined plan based on analyses of agency resources and requirements);
(4) Customer Input (good service-oriented tasks; use a standard form to document); and
(5) Contractor Self-Reporting.

Consider the following when deciding how to monitor contractor performance: Criticality of work to be performed, the relative importance of some tasks to others, lot size/frequency of service, surveillance period, stated performance standard, performance requirement, availability of agency people/resources, and cost-effectiveness of surveillance vs. task importance.

(f) Definition of Performance Measure: Quantitative or qualitative method or characteristic for describing the Contractor's performance. There are 3 types of measures:

(1) Economy: Obtain appropriate quality/quality at the best price.
(2) Efficiency: Best use of resources (quality vs. time, work per hour, etc.).
(3) Effectiveness: Was the objective accomplished? (Are customers satisfied? Are requirements met? Were goods/services delivered on time?)

(g) Analysis of Results: Evaluate the data you gather in terms of:

(1) Goals/standards vs. actual results (Contractor should receive no reward for MEETING standards);
(2) Trends (compare to previous periods);
(3) Compare results to other relevant data (may need to weight some factors to attribute relative importance);
(4) Refine measures, if needed, if data is not as useful as it could be.

(h) Characteristics of Good Performance Measures:

(1) Measure important things;
(2) Simple, but not too simple;
(3) Can be audited and validated (quantifiable measures preferred, as they are less subjective);
(4) Attainable and worth the cost;
(5) Level of detail corresponds to the intent of the stated measure and expectation; and
(6) Can be consistently combined with other measures to reflect corporate priorities.

8. WRITING THE PWS

The PWS describes the requirements the Contractor must meet in terms of outcome or results. The "how" is left to the Contractor. The performance standards that will be used to measure shall also be described.

Remember: A poorly written work statement cannot be "repaired" by incentives!

(a) Performance-Based Specifications/Requirements describe the required outcome/result, NOT how it should be provided or performed. Approaches or methods for attaining results should be left up to the Contractor.

(b) Format is the same as for traditional SOW's. Include an introduction, background information, scope, applicable documents, performance requirements (tasks), and deliverables. All that is required is enough detail so that the contractor knows what is required and the Government can measure whether the contractor has complied, and to what degree (See Attachment 7).

(c) Labor Category Descriptions: Who needs ‘em? In PBSC’s, remember to focus on results not process. However, if the contract is for “bodies” and labor categories will be included, follow these guidelines”

- Avoid being too specific and too general;
- Use the phrase "experience in" rather than "knowledge of" (the latter requires an interview for proof);
- Be clear and definitive (no "should's" or "desirables");
- If a college degree is required, state "bachelor's degree from an accredited college or university;"
- Experience should be recent and relevant;
- Remember the goal: Provide a benchmark for required credentials (don't describe the work to be performed);
- Resumes should only be required for key/senior personnel; and
- For certain categories, such as IT professionals, state any required certifications (e.g., Microsoft Certified Engineer, or MSCE) and whether they can replace college degrees.

(d) Once you've completed a template, as shown in the attachments, the left-hand column (expected outcomes and/or results) can basically become the PWS.

9. THE QUALITY ASSURANCE PLAN (QAP)

(a) The QAP describes what the Government must do to ensure that the Contractor has performed in accordance with the stated performance standards, and it assures that assessments will be uniform and consistent. Surveillance methods were described in Section 6(e). The QAP (See attachment 6 for sample plan) becomes part of the contract administration plan, and it is the key to successful performance. The QAP must be included in the solicitation so vendors know how their performance will be evaluated (it does *not* have to be in the resulting contract). In response, the offerors will develop a Quality Control Program (QCP). The QAP sets the "what," "how," and "how often" of quality assurance, and helps the offeror determine the level of resources needed to adequately staff the project. It also reflects the value of each performance requirement as a percentage of the overall contract, so the offeror can focus his resources in the appropriate areas.

(b) The QAP must specify the surveillance schedule, methods, and performance measures. The frequency of surveillance may be adjusted after the Contractor has settled in. *The level of surveillance should be commensurate with the complexity of the contract. DON'T INSPECT THE PROCESS - JUST THE OUTPUTS.* This type of process places reliance on the Contractor's QCP and on working together as **partners** to get the desired results.

10. CONTRACT ADMINISTRATION: WHERE THE FUN BEGINS!

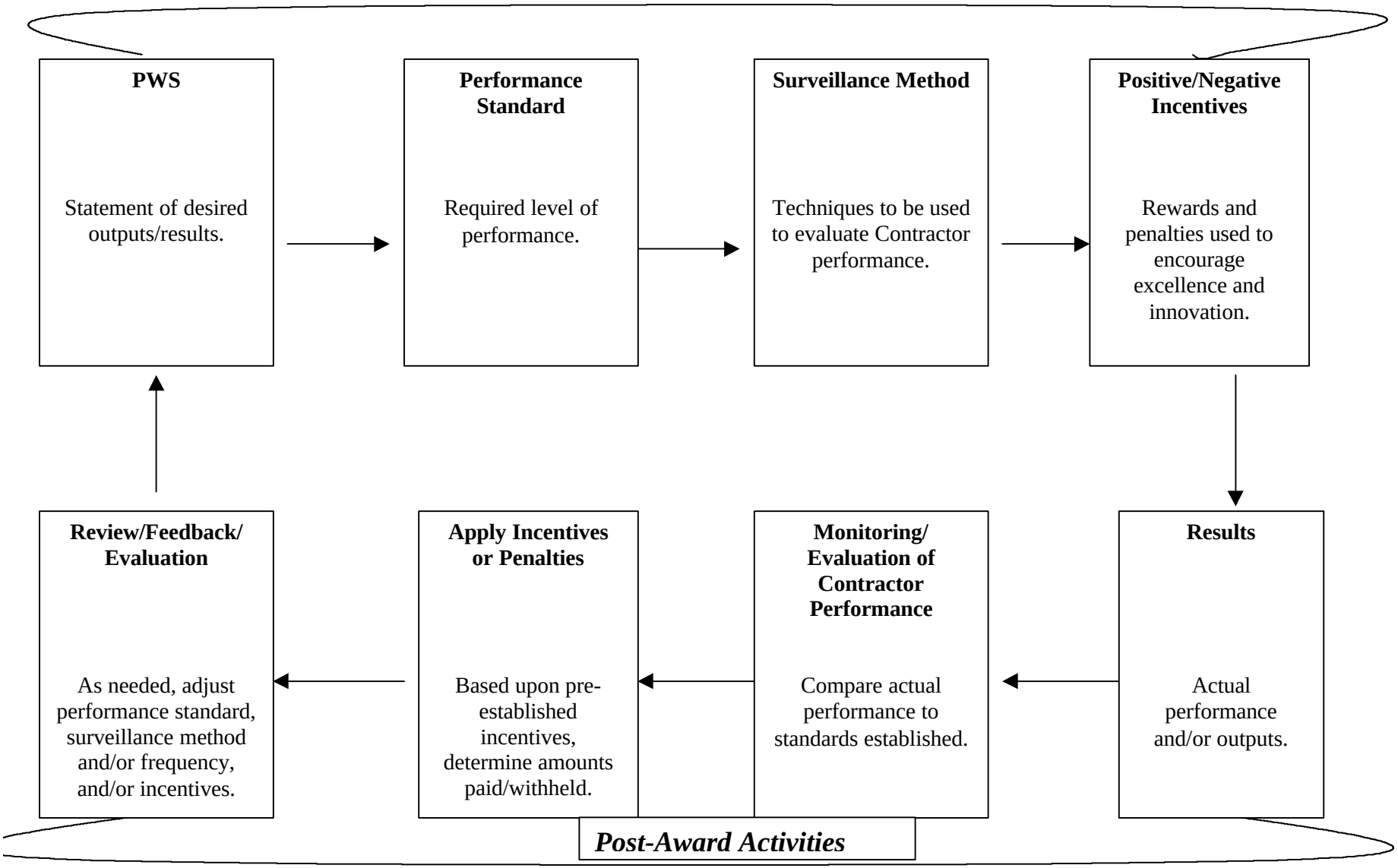
(a) After contract award, the COTR takes a lead role in managing the technical elements of the contract. S/he must be technically competent, must maintain complete and accurate records, and must establish and maintain a professional working relationship with the Contractor. The COTR should **build a checklist** for surveillance and must actually watch the Contractor in action and physically check any deliverables.

(b) This is where positive and negative incentives come into play. The Government needs to reinforce actions/behaviors that result in quality services/products and discourage actions/behaviors that reduce the performance levels. Efforts should be made to avoid penalizing the Contractor, but if it must be done, do it.

WEB SITE REFERENCES:
http://www.acq-ref.eglin.af.mil/pba98/part/session5.html
http://ec.msfc.nasa.gov/hq/library/perfba/htm
http://www.amsc.belvoir.army.mil/vacante.html
http://www.acq-ref.navy.mil/turbo/34.htm
http://www.acq-ref.navy.mil/specright/index.htm
http://www.acq.osd.mil/ar/

APPENDIX A – GRAPHIC DEPICTION OF
PERFORMANCE-BASED CONTRACTING PROCESS

Preaward Activities



PERFORMANCE BASED CONTRACTING TEMPLATE
HELP DESK

Desired Outcomes *(What do we want to accomplish as the end result of this contract?)*	**Required Service** *(What task must be accomplished to give us the desired result?)*	**Performance Standard** *(What should the standards for completeness, reliability, accuracy, timeliness, quality and/or cost be?)*	**Acceptable Quality Level (AQL)** *(How much error will we accept?)*	**Monitoring Method** *(How will we determine that success has been achieved?)*	**Incentives/ Disincentives for Meeting or Not Meeting the Performance Standards** *(What carrot or stick will best reward good performance or punish poor performance?)*
1) Customers calling the help desk shall be able to contact a support staff member from 8:00 a.m. to 5:00 p.m., M-F	The help desk shall be adequately staffed, with a sufficient number of incoming lines to handle potential trouble calls.	99% of calls are answered on the customer's first attempt.	99% of calls are answered on the customer's first attempt.	Survey customers and evaluate feedback. Inspect call logs. (Trend analysis.)	+/- .5% of total monthly price.
2) Calls are answered promptly by help desk personnel.	The help desk shall be adequately staffed, with a sufficient number of incoming lines to handle potential trouble calls.	Calls are answered within 20 seconds or a voice mail can be left; calls shall be returned within one hour of receipt.	Calls are answered within 30 seconds or a voice mail can be left; calls shall be returned within 30 mins. for L1 customers and 60 mins. for L2 customers.	Random sampling of call activity logs, showing time of receipt of call and call return time. Random surveillance of actual operations. (Trend analysis.)	+/- .5% of total monthly price
3) Time to resolve customer problem or answer question is as short as possible; the need to dispatch personnel is minimized.	Time to resolve problems/answer questions is within the time frames set forth in the SOW or in the Service Level Agreement (SLA).	96% of calls received are resolved within 1 business day.	96% of calls received are resolved within 1 business day.	Random sampling of call activity logs, showing time of receipt of call and closeout of trouble. tickets. (Trend analysis.)	+/- 1% of total monthly price

4) Help desk personnel are courteous and efficient.	Personnel answering telephones shall be courteous and shall accurately and efficiently log in all incoming calls.	No more than 2 complaints are made per month regarding courtesy and/or lost/late messages.	No more than 2 complaints are made per month regarding courtesy and/or lost/late messages.	Sample/test calls will be made to the Help Desk; customer surveys; complaints will be investigated and resolved within 1 week of filing.	+/- .5% of total monthly price

All incentives shall be paid/deducted on a quarterly basis.

PERFORMANCE BASED CONTRACTING TEMPLATE
SEAT MANAGEMENT

Desired Outcomes *(What do we want to accomplish as the end result of this contract?)*	**Required Service** *(What task must be accomplished to give us the desired result?)*	**Performance Standard** *(What should the standards for completeness, reliability, accuracy, timeliness, quality and/or cost be?)*	**Monitoring Method** *(How will we determine that success has been achieved?)*	**Incentives/Disincentives for Meeting or Not Meeting the Performance Standards** *(What carrot or stick will best reward good performance or punish poor performance?)*
1) Users shall have access to all desktop computing functions, as needed.	Desktop systems/ networks shall be available to all users M-F, 6a.m. till 10p.m.	99% availability, as described herein.	Inspect call logs for trouble calls.	+/- 1% of total monthly price. Performance=actual availability/ target availability (16X5)
2) Sufficient numbers of staff members are available to resolve day-to-day issues.	The Contractor shall provide qualified employees to adequately staff the program.	Average staffing levels shall not fall below 90% on any task order.	Invoices, reports, and other records will be reviewed to determine staffing levels on a monthly basis.	+/- .5% of total task order price, for each variance +/-5% (reflects positive and negative incentive) from standard.
3) Moves, adds, and changes shall be accomplished as efficiently as possible.	Requests for moves, adds, and/or changes shall be completed within 5 workdays after receipt of request.	98% of requests are completed within 5 workdays.	Random sampling of request for service (i.e., RISS) logs, completed work tickets, and customer interviews.	+/- 1% of total monthly price for each +/-1% variance from standard.
4) Customer problems shall be resolved as quickly and efficiently as possible.	Requests for service shall be efficiently logged and tracked, and the customer shall be notified as to the expected completion time.	98% of calls are resolved within same business day.	Trouble tracking system will be reviewed, noting how request arrived (e-mail, phone), time arrived, and date/time completed; random sampling of customers.	+/- 1% of total monthly price for each variance of +/-1% variance from standard.

5) Maintenance response and repair times shall be met, as specified.	For L1 customers, system/network services shall be restored within 2 hours of receipt of notification; for L2 customers, service shall be restored within 4 hours.	For all customers, 98% of service equipment is restored to service within the stated times.	Trouble tracking system will be reviewed, noting time arrived, and date/time completed; random sampling of customers.	+/- 1% of total monthly price for each variance of +/-1% variance from standard.

PERFORMANCE BASED CONTRACTING TEMPLATE
SYSTEMS INTEGRATION

Desired Outcomes *(What do we want to accomplish as the end result of this contract?)*	**Required Service** *(What task must be accomplished to give us the desired result?)*	**Performance Standard** *(What should the standards for completeness, reliability, accuracy, timeliness, quality and/or cost be?)*	**Monitoring Method** *(How will we determine that success has been achieved?)*	**Incentives/Disincentives for Meeting or Not Meeting the Performance Standards** *(What carrot or stick will best reward good performance or punish poor performance?)*
1) Operational parameters as set forth in the SOW and/or IT architecture standards are met.	Using the specified office suite/software load and hardware profile, system performance meets the requirements set forth in the contract.	Using a standard performance testing package, each desktop system installed performs at the levels stated in the SOW.	Inspect call logs for trouble calls. Review test results.	+/- 1% of total monthly price. Performance=actual availability/ target availability (16X5)
2) Components installed are compatible and interoperable.	Use of all hardware and software components on the network is seamless.	Average staffing levels shall not fall below 90% on any task order.	Invoices, reports, and other records will be reviewed to determine staffing levels on a monthly basis.	+/- .5% of total task order price, for each variance +/-5% (reflects positive and negative incentive) from standard.
3) Systems installed are reliable, available, and maintainable.	Requests for moves, adds, and/or changes shall be completed within 5 workdays after receipt of request.	98% of requests are completed within 5 workdays.	Random sampling of request for service (i.e., RISS) logs, completed work tickets, and customer interviews.	+/- 1% of total monthly price for each +/-1% variance from standard.

4) Systems installed allow for growth potential, both in terms of adding users and upgrading hardware and/or software.	Requests for service shall be efficiently logged and tracked, and the customer shall be notified as to the expected completion time.	98% of calls are resolved within same business day.	Trouble tracking system will be reviewed, noting how request arrived (e-mail, phone), time arrived, and date/time completed; random sampling of customers.	+/- 1% of total monthly price for each variance of +/-1% variance from standard.
5) Existing software, files, and/or databases are successfully transferred to the new system.	Data in existing files shall be transferred to the new system(s) with minimal loss of productivity and data.	95% of data transferred to new system suffers no conversion errors and is usable when new systems are made available.	User complaints/ trouble tracking will be reviewed, noting errors due to data conversion, improper software function, programming problems, and/or user inexperience.	+/- .5% of total monthly price for each variance of +/-.5% variance from standard.
6) Systems installed are easy to use, easy to learn, and add to user efficiency and customer satisfaction.	New hardware and/or software shall be installed with minimal downtime.	98% of systems installed operate properly, with no programming, installation or integration problems.	User complaints/ trouble tracking will be reviewed, noting system or software failures and/or problems; random sampling of customers.	+/- .5% of total monthly price for each variance of +/-.5% variance from standard.
7) Systems installed meet the specified security and vulnerability standards; system backup and disaster recovery plans comply with the SOW and PDD-63.	New systems/LANs shall protect information, provide system protection and shall be able to survive potential threats; the backup and recovery plans delivered are acceptable.	100% of systems tested meet all stated security requirements; no security breaches are detected.	Random system/network tests will be conducted using standard testing techniques.	For each percent less than 100, a corresponding amount of payment shall be withheld until compliance is achieved.

PERFORMANCE BASED CONTRACTING TEMPLATE
SOFTWARE DEVELOPMENT

Desired Outcomes *(What do we want to accomplish as the end result of this contract?)*	**Required Service** *(What task must be accomplished to give us the desired result?)*	**Performance Standard** *(What should the standards for completeness, reliability, accuracy, timeliness, quality and/or cost be?)*	**Monitoring Method** *(How will we determine that success has been achieved?)*	**Incentives/Disincentives for Meeting or Not Meeting the Performance Standards** *(What carrot or stick will best reward good performance or punish poor performance?)*
1) Enterprise architecture standards shall be met, along with functional requirements. A successful operational capability demonstration (OCD) will be performed prior to full implementation.	All functional requirements shall be met; software delivered shall comply with enterprise architecture standards, including security.	**All** architectural requirements shall be met. Functional requirements shall be prioritized to allow for not more than 1% deviation for each requirement. OCD results will be analyzed in accordance with the QAP.	Review OCD test results and analyses to ensure that required functionality is provided. Obtain and analyze user feedback. Review documentation for enterprise architecture compliance.	Full payment for 100% compliance. If provided for in the contract, payment less than 100% may be made for less than full compliance if less than full functionality is accepted.
2) User guides and other documentation provided are accurate, complete, and easy to use.	Documentation shall meet agency requirements for accuracy, completeness, and ease of use.	95% of the documentation provided meets the stated standards.	Review documentation via independent verification and validation (IV&V) to ensure functions and operations are properly documented. Survey system administrator(s) for ease of use.	For each percent in excess of 95, the contractor shall receive an extension of the software support agreement for an additional 3-month period.
3) Interfaces with all system components are fully functional and seamless to the users.	Software provided shall be fully compatible with and integrated into the existing LAN and software suite.	100% compliance is required for customer satisfaction, performance, and utility.	Review system administration logs, noting any service interruptions; contact users ; conduct independent verification and validation (IV&V) tests using commercial performance tests.	Full payment shall be made for 100% compliance. Additional fees may be awarded if the contractor successfully re-engineers interfaces and improves baseline performance.
4) Software capable of	Delivery dates set forth in	The stated delivery date	100% inspection.	For each week ahead of

performing the requisite functions shall be delivered in accordance with the stated schedule, including shorter-term milestones.	the contract are met or exceeded.	shall be met unless the Government and the Contractor agree to a new completion date.		schedule the software and documentation are delivered, the contractor shall receive an additional fee of .5%. No additional fee will be paid for non-conforming deliverables.
5) All users and system administrators shall receive training appropriate for their intended use of the new software.	Data in existing files shall be transferred to the new system(s) with minimal loss of productivity and data.	95% of data transferred to new system suffers no conversion errors and is usable when new systems are made available.	Review user complaints/ trouble tracking, noting errors due to data con-version, improper software function, programming problems, and/or user inexperience.	+/- .5% of total monthly price for each variance of +/-.5% variance from standard.
6) Training provided is appropriate for the users' needs, ranging from desktop users to system administrators.	Upon completion of training, each user is able to function at not less than an 85% level. (Full proficiency requires actual hands-on experience.)	75% of users trained can perform at the 85% proficiency level.	User surveys; proficiency tests; validated calls to and response by system administrators; audit of training course(s) by program manager.	Training class pricing may be adjusted by a percentage proportional to the stated per-formance standard. Maximum price paid shall be the CLIN price; minimum price shall be 75% of the CLIN price.

PERFORMANCE BASED CONTRACTING TEMPLATE
SYSTEM DESIGN/BUSINESS PROCESS RE-ENGINEERING

Desired Outcomes *(What do we want to accomplish as the end result of this contract?)*	**Required Service** *(What task must be accomplished to give us the desired result?)*	**Performance Standard** *(What should the standards for completeness, reliability, accuracy, timeliness, quality and/or cost be?)*	**Monitoring Method** *(How will we determine that success has been achieved?)*	**Incentives/Disincentives for Meeting or Not Meeting the Performance Standards** *(What carrot or stick will best reward good performance or punish poor performance?)*
1) The contractor shall have a thorough understanding of the business process requiring re-design.	Key program managers will be interviewed, system inputs and outputs analyzed, commercial practices shall be analyzed, so the Contractor can present the current process and recommend a re-designed process.	**All** architectural, security, system and cost restraints shall be analyzed; the contractor shall present an accurate representation of the current system status, both narratively and via graphic depictions. Both shall demonstrate a complete understanding of current status and desired goal.	Reports shall be analyzed by all major stakeholders in the process, including security experts and a sampling of internal and external customers.	Share-in-savings program (negotiated prior to contract award). Contractor shall be paid according to a negotiated payment plan; share-in-savings shall be calculated one year after initial implementation.
2) The Contractor shall take the 20 systems now operating in the program organization(s) and provide for inter-operability and reduced operational costs.	Separate and disparate software programs shall be migrated to a single hardware platform, utilizing the agency's enterprise architecture standards and a front-end "wizard."	Original functionality designated as critical by the Government is maintained at the 100% level. Non-critical functionality is provided at not less than a 90% level. All major stakeholders can access requisite data.	Interview users (random sampling); IV&V testing of core functionality; review system logs for usage levels, access to data, and system performance.	Share-in-savings program (negotiated prior to contract award). Contractor shall be paid according to a negotiated payment plan; share-in-savings shall be calculated one year after initial implementation.

3) All phases of the project are completed on time.	Delivery of interim reports, recommendations, designs, installations, and implementations are all completed on time.	100% compliance is required. Early or late delivery shall impact the share-in-savings plan, as negotiated.	Periodic reviews of work-in-progress; 100% inspection of all deliverables by all major stakeholders.	Share-in-savings program (negotiated prior to contract award). Contractor shall be paid according to a negotiated payment plan; share-in-savings shall be calculated one year after initial implementation.
4) During the implementation phase, parallel systems are required; the newly designed system shall run in a test bed environment for a minimum of 6 months.	Processing response time shall be maintained on the legacy system and improved on the new system; the legacy system shall be properly maintained in order to make a smooth transition to the new system.	Data shall be 100% accurate; processing speeds (transactions per second) shall be not less than baseline (e.g., initial) processing times.	Measure baseline processing speeds; measure throughput times on newly designed system; conduct customer interviews to determine ease of use, and functional performance.	Share-in-savings program (negotiated prior to contract award). Contractor shall be paid according to a negotiated payment plan; share-in-savings shall be calculated one year after initial implementation.
5) Training provided is appropriate for the users' needs, ranging from desktop users to system administrators.	Upon completion of training, each user is able to function at not less than an 85% level. (Full proficiency requires actual hands-on experience.)	75% of users trained can perform at the 85% proficiency level.	User surveys; proficiency tests; validated calls to and response by system administrators; audit of training course(s) by program manager.	Training class pricing may be adjusted by a percentage proportional to the stated performance standard. Maximum price paid shall be the CLIN price; minimum price shall be 75% of the CLIN price.

QUALITY ASSURANCE PLAN
Contract No. T-99-0001
Seat Management Services

I. **Objective**: The purpose of this plan is to provide a quality surveillance plan for seat management services performed at the Department of the Treasury. This plan provides a basis for the Contracting Officer's Technical Representative (COTR) to evaluate the quality of the Contractor's performance. The oversight provided for in the contract and in this plan will help to ensure that service levels reach and maintain the required levels throughout the contract term. Further, this plan provides the COTR with a proactive way to avoid unacceptable or deficient performance, and provides verifiable input for the required annual past performance evaluations.

II. **Performance Standards**:

A. Quality Level: By monitoring the Contractor, the COTR will determine whether the performance levels set forth in the contract have been attained. Quality standards (i.e., performance standards) for all tasks are specified in the Performance Work Statement (PWS), Sections XX and XXX/

B. Frequency: Prior to contract award, the COTR will evaluate the current levels of performance, according to the standards set forth in this contract. During performance of this contract, the COTR will take periodic measurements (i.e., conduct surveillance), as specified, and will analyze whether the negotiated frequency of measurement is appropriate for the work being performed. Adjustments may only be made by a modification to the contract.

C. Management Responsiveness: The COTR will determine whether the Contractor has managed the contract effectively and efficiently, with successful and timely response to help desk/service calls, special requirements, technology refreshment, configuration management, etc., as specified in the quality standards set forth in Section XXX of the PWS. The COTR will confirm whether the Contractor has satisfactorily met all reporting requirements, including subcontracting reports when applicable.

III. **Evaluation Methods**: The COTR will conduct performance evaluations based upon Section II above and the required performance levels set forth in the contract. The following techniques will be used to perform surveillance:

A. Random Call Log Inspections. The COTR will perform random checks of the call log at least once per week. Customers will be contacted for feedback on Contractor performance, and data will be collected as described in the contract. Issues that are targeted by customer feedback or complaints will be closely monitored and tracked until resolved. Any discrepancies noted in the call logs and customer feedback will be discussed with the Contractor as soon as practicable. Results of these meetings shall be documented by the COTR, along with the COTR's other findings.

B. Network Performance Report. The COTR will review performance records of the local/wide area networks to ensure that the required availability has been provided. Outages, problems, repairs, resolutions, etc. shall be noted and availability calculated as stated in the contract. Results shall be shared with the contracting officer.

C. Service Level Monitoring. The Contractor is required to provide sufficient qualified personnel to maintain system availability, resolve problems, and keep operations running as smoothly as possible. Customer feedback will be sought and trouble-call logs shall be reviewed to ensure that reported problems are resolved as quickly and efficiently as possible. Further, the COTR will review measures taken by the Contractor to keep all customers informed of situations that may affect performance of their desktop computers or other network applications. It is essential that effective communications take place to ensure a high level of customer satisfaction.

Attachment 7

PERFORMANCE-BASED SERVICE CONTRACTING

TABLE OF CONTENTS FOR PWS

1. BACKGROUND: Describe the need for the goods or services, the current environment, and the office's mission as it relates to this requirement. Provide a brief description/summary of the goods or services sought.

2. SCOPE: Include a high-level view of the procurement, its objectives, size, and projected outcomes. Do not include *anything* that won't contribute to the expected result. Do include impacts/implications.

3. APPLICABLE DOCUMENTS: List legal, regulatory, policy, security, etc. documents that are relevant. Include publication number, title, version, date, where the document can be obtained, etc. If only certain portions of documents apply, so state.

4. SUMMARY OF REQUIREMENTS: This is the heart of the PWS. Include the expected outputs/outcomes. (See the Templates in Attachments 1-5 for examples; this section, combined with no. 6 below, comprises the information needed for the templates.)

5. DELIVERABLES: List all outputs/outcomes with specific due dates or time frames. Include media type, quantity, and delivery point(s).

6. QUALITY ASSURANCE PLAN: This portion of the PWS explains to the vendor what the Government's expectations are, how (and how often) deliverables or services will be monitored and evaluated, and incentives that encourage the contractor to exceed the performance standards (See Templates) and that reduce payment or impose other negative incentives when the outputs/outcomes are below the performance standards.